

## Senate File 283 - Introduced

SENATE FILE 283

BY ZAUN, GUTH, CHELGREN,  
SEGEBART, SHIPLEY,  
KAPUCIAN, BERTRAND,  
ANDERSON, KRAAYENBRINK,  
and C. JOHNSON

### A BILL FOR

1 An Act relating to the administration and servicing of certain  
2 federal educational loans by certain entities and including  
3 applicability provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 261F.1, Code 2017, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 9A. "*Prime rate*" means the same as defined  
4 in section 421.7, subsection 5.

5 Sec. 2. Section 261F.3, Code 2017, is amended by adding the  
6 following new subsection:

7 NEW SUBSECTION. 6A. *Federal educational loan administration.*

8 *a.* A covered institution shall not administer any loan  
9 that is made, insured, or guaranteed under Tit. IV of the  
10 federal Higher Education Act of 1965, as amended, on behalf of  
11 a borrower if the interest rate on the loan exceeds the prime  
12 rate plus two percent.

13 *b.* Student loan servicers that contract with the United  
14 States department of education, provide customer service for  
15 federal educational loans held by other lenders, or purchase  
16 federal educational loans from other lenders shall not operate  
17 or conduct business in this state if the interest rate on the  
18 federal educational loan that was obtained by a borrower who is  
19 a resident of this state and which is administered, managed, or  
20 serviced by the student loan servicer, exceeds the prime rate  
21 plus two percent.

22 Sec. 3. APPLICABILITY. This Act applies to the  
23 administration of a loan made, insured, or guaranteed on or  
24 after the effective date of this Act.

25 EXPLANATION

26 The inclusion of this explanation does not constitute agreement with  
27 the explanation's substance by the members of the general assembly.

28 This bill prohibits certain entities from administering  
29 federal educational loans to borrowers, which under Code  
30 section 261F.1 include students and their parents or persons in  
31 parental relation to such students, if the interest rates on  
32 those loans exceed the prime rate plus 2 percent.

33 The bill prohibits public and private postsecondary  
34 institutions from administering federal educational loans to  
35 borrowers if the interest rates on the loans exceed the prime

1 rate plus 2 percent.

2 The bill also prohibits student loan servicers that contract  
3 with the United States department of education, provide  
4 customer service for federal educational loans held by other  
5 lenders, or purchase federal educational loans from other  
6 lenders from operating in this state if the interest rate on  
7 the federal educational loan that was obtained by a resident  
8 borrower and which is administered, managed, or serviced by the  
9 student loan servicer, exceeds the prime rate plus 2 percent.

10 Currently, the attorney general is authorized to conduct  
11 investigations to determine whether to initiate proceedings  
12 under Code chapter 261F. An institution in violation of the  
13 Code chapter may be liable for civil penalties.

14 The term "prime rate" is defined to mean the prime rate  
15 charged by banks on short-term business loans, as determined  
16 by the board of governors of the federal reserve system and  
17 published in the federal reserve bulletin.

18 The bill applies to loans made, insured, or guaranteed on or  
19 after the effective date of the bill.